

# MINNESOTA • REVENUE

April 02, 2013

## PROPERTY TAX Metropolitan Fiscal Disparities Local Tax Rate Freeze

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue  
Analysis of H.F. 0537 (Loon) as introduced

	Fund Impact			
	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
	(000's)			
Property Tax Refunds	\$0	(\$1,900)	(\$1,900)	\$0

Effective for taxes payable 2014 and 2015.

### EXPLANATION OF THE BILL

The bill requires that the local tax rates for pay 2012 or 2013, whichever is less, be used in calculating the fiscal disparities distribution levies for taxes payable 2014 and 2015.

### REVENUE ANALYSIS DETAIL

- Under current law, the local tax rates for 2013 would be used to compute the 2014 fiscal disparities distribution levies, and the local tax rates for 2014 would be used to compute the 2015 fiscal disparities distribution levies.
- The proposal was modeled using pay 2012, 2013, and 2014 data.
- It is assumed that total property taxes would remain the same under the proposal, with a smaller fiscal disparities levy share being replaced by local levy.
- With lower fiscal disparities distribution levies, taxes would shift from commercial-industrial property classes to homesteads. The homestead shift is estimated to be \$21 million in pay 2014 and 2015.
- Higher homestead taxes would result in higher property tax refunds. The increase in property tax refunds is estimated to be \$1.9 million in FY 2015, and \$1.9 million in FY 2016.

**PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)**

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Additional step in calculation of distribution levies for two years.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

*The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division - Research Unit  
[www.revenue.state.mn.us/research\\_stats/  
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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